(c) The feasibility of participation in Iran's 12th Olefin Complex is also being contemplated by IOC, for which a detailed feasibility study is proposed to be undertaken jointly with the National Petrochemical Company of Iran.

Long term contracts for import of crude

2269. SHRI R.P. GOENKA : Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state :

(a) whether it is a fact that a revised strategy has been worked out to seek long term contracts, beyond one year as per the present practice, for import of crude oil, to ensure security of supplies at steady prices, in the backdrop of demand explosion in Asia, particularly in China and India; and

(b) if so, the details thereof and the result of discussions held, if any, with the leading oil suppliers in the Middle-East and elsewhere?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MANI SHANKAR AIYAR): (a) and (b) The question of longer-term supply contracts was raised by India at the first round-table of Asian Oil Ministers on regional cooperation in the oil & gas economy held in New Delhi on 6th January, 2005 which was attended by Ministers/representatives from Iran, Japan, Malaysia, Oman, Qatar, Saudi Arabia, UAE, Kuwait, China, Korea besides host India. The inaugural address of the Minister of Petroleum and Natural Gas, Govt. of India as the Chairman of the Round Table, and the Closing Statement by the Chairman setting out the draft conclusions of the conference are attached as Statement. (*See* below) Public sector oil companies factor in long-term contracts in their purchase arrangements, as appropriate, but it may be noted that long-term contracts only provide for assurance of supplies; prices are linked to periodic variations in international markets.

Statement

The Inaugural Address of Chairman of Round Table Conference

Your Excellency, the co-host of this conclave, the distinguished Head of Delegation of the Emirate of Kuwait,

Your Excellencies, Ministers and Heads of Delegation from the prinicpal

Asian suppliers and consumers of petroleum,

Your Excellencies, Ambassadors to New Delhi of these countries,

Distinguished representatives of the Governments of participating countries,

Distinguished representatives of National Oil Companies and the Asian Oil Industry,

Distinguished delegates of the principal international organizations here present, our co-sponsor, the Secretary-General of the International Energy Forum, the distinguished representative of the International Energy Agency, and the distinguished Acting Secretary-General of OPEC-the Organization of Petroleum Exporting countries,

My fellow-Minister, the distinguished Minister of State for External Affairs of India, Shri E. Ahamed, Ladies and Gentlemen, Fellow Asians,

We meet in the shadow of the terrible Tsunami tragedy that has struck our shared continent of Asia. Might I request you to please stand and observe a minute's silence in memory of the 125,000 or more who have been snatched so cruelly from our midst?...Thank you.

This is a moment that might yet be recorded as "historic" in the annals of regional cooperation in Asia. For this is the first gathering together of the prinicpal Asian ministers charged with responsibility for the most crucial sector of the economy—petroleum and natural gas. Whether our meeting today does get recorded as "historic" does, of course, depend on the outcome of our deliberations and of our resolves to persist on the path of such dialogue. I have little doubt, however, that it will-for in the very act of journeying to our capital you have registered your commitment to our shared destiny. Through almost all of the advancement of human civilization, it is Asia that has been in the vanguard. For the last few centuries, we fell to the sway of others. Now, once again, are we the captains of our ship and the masters of our fate. I thank you most warmly and sincerely, on behalf of our Government and all our one billion people, for having done us the unforgettable honour of being present here at the creation. Thank you, indeed.

Excellencies, in the sector of our concern, hydrocarbons, the dawn of the 21st century heralds an unprecedented, dare I say revolutionary change

in international oil and gas relations. In the last quarter of the last century, Asian oil producers came into their own when OPEC secured fair and just remuneration for the most vital element of growth and prosperity—oil. Now has come Asia's turn to consume that oil-and thus fuel the resurgence of Asia as the harbinger of the further advancement of human civilization. The total consumption of the Asian countries here present almost equals the total production of the Asian countries here present. No longer are we labouring so that others might profit. We have already emerged as the world's principal source of supply; we are emerging as the world's prinicpal destination for the consumption of that supply. Already, some two thirds of the fossil fuel that prinicpal producers around this table extract from the bosom of Mother Nature is bought by the principal consumers represented at this very table. That trend will only accelerate as we traverse the 21st century—the Asian Century. We are gathered here to rise to that challenge and to avail of that opportunity.

The Challenge, Your Excellencies, lies in eschewing the errors of the past.The opportunity, Your Excellencies, lies in Fashioning a more fair, more just and more remunerative oil order for all of us in Asia—in which the Asian producer is ensured a stable, secure and sustainable return for a most precious but depleting natural resource, and the Asian consumer is assured a stable, secure and sustainable regime within which to promote progress and prosperity for that deprived one-half of humankind that inhabits our shared continent of Asia. We commence here a dialogue to meet that challenge and rise to that opportunity.

How do we do so?

First let me deal with stability. Last year has seen the worst roller-coaster ride in oil prices for the better part of a generation. OPEC has behaved most responsibly through this period of turmoil and turbulence. Instead of pursuing short-term advantage, OPEC, led by its Asian members, has persistently striven for moderating volatility and dampening speculation. For this, OPEC and its membership have earned the world's gratitude. Moreover, OPEC's production plans give the world the reassurance that global oil supply will keep pace with booming global demand, and that over the next twenty years at least there will be no market disequilibrium to warrant any wild fluctuation in prices. If, nevertheless, volatility rather than stability has marked international prices

in the last twelve months that is largely because of speculation and apprehensions-that have been mostly belied—of the fallout on oil production of exogenous political developments. The fact is that however uncertain developments in the world political order have been, the underlying global oil economy has held a steady course.

For us in Asia to convert that underlying stability in production (and the prognosis for production) into stability in oil markets, it is essential that we develop a sophisticated Asian market for petroleum and petroleum products. That is how the West converted their abundance of natural resources into abundance of production and consumption.

Unfortunately, we in Asia continue to behave as if we were still a residual consumer of Asian oil production when, in fact, we are the principal consumer.

Your Excellencies, for Asia to be the residual consumer made some economic sense when there was large and growing production on both sides of the Atlantic, on-land in the Americas and off-shore in Europe. It was in that era that Western Texas Intermediate (WTI) and Brent emerged as markers.But as the world wheels into the 21st century, WTI output is down by three-quarter compared to two decades ago and Brent output is down by two-third compared to just a decade ago-and both are set decline even further, and to decline quite precipitately at that. Meanwhile, it is Asia, from Eastern siberia through the Caspian, Central Asia and China, to South-East Asia and to some extent even South Asia, and, if course, above all, Iran and West Asia, that is booming in both the output and throughput of oil. Yet, Asia has little in terms of a global marker. And even less in terms of a well-prepared oil and oil products market.

With a view to bringing about greater stability in Asian trade in petroleum and petroleum products, can we think in term of an Asian market

* where long-term contracts become longer,
* where price discovery through the market is more transparent,
* where such transparency facilitates greater stability in formulate for pricing in long-term contracts.
* where spot purchases occupy a progressively larger share of market transactions,

* where petroleum exchanges are established and used,
* where derivatives are integrated into market practice,
* where, in short,an Asian marker emerges,

which reflects Asian realities and the real role in the global oil economy of Asian production, Asian consumption and Asian trade?

To pose the problem, Your Excellencies, is easier than to find the answers. But I do submit, Your Excellencies, that through sustained dialogue among ourselves, buttressed by dialogue among our experts and market operators, we might be able to find an Asian solution to the imperatives of Asian stability.

As for the second theme of our meeting-security-the answer there too lies in promoting mutual interdependence. Security has two aspects. One is security against unexpected disruption of supplies. As a joint emergency response mechanism, perhaps we should consider jointly building storages which would enable consumers to enjoy an uninterrupted flow of supplies and producers to enjoy an uninterrupted flow of oil revenue till normalcy is restored.

The second aspect of security relates to assurance of markets for producers and asurance of supplies for consumers. This calls for mutual interdependence through mutual investments in each other's countries by producer and consumer nations of the Asian oil community. Hitherto, we have looked West for much of the investment in Asian petroleum exploration and production, Asian petroleum refining, and Asian petroluem marketing and in saying so I include gas as well. Now, increasingly, Asia itself is merging as a significant source of investment in Asia. Japan is, of course, a long-established Asian investor in other Asian countries. China in the last decade, as also Malaysia, have become key players in E & P in Asia and, indeed, the world over. So has India. We are already in E & P, refining and marketing projects in more than ten countries and much of our overseas investment is in Asia. Reciprocally, in refining, we in India have been the beneficiary of investments by Iran in the Chennai Petroleum Corporation and of Qatar in LNG. These are but illustrative examples. A future beckons in which Asian countries can become major participants in the massive investments which need to be made in the Asian countries

represented at this table, running to an estimated 1580 billion dollars over the next 25 years in upstream, midstream and downstream oil and gas development in all our countries put together. Investment on this humungous scale, to the extent possible mutual and reciprocal intra-Asia investment, would hugely enhance security of production and consumption for all of us around this table, for all our fellow-Asians and, indeed, for all of human kind the world over. The oil and gas sector in India welcomes the world with open arms, and reserves a particular welcome for Asian investors. Equally, we stand ready to do our share for the promotion of the global oil economy in general and the Asian oil economy in particular. We believe we should continue and intensify this dialogue in the interests of facilitating mutual investments to ensure mutural security.

The third great theme of our meeting today is sustainability. It has taken millions of years, indeed, hundreds of millions of years for Nature to create and store what we have substantially exhausted in a mere one hundred years or so. What remains we can use only if used with great care. That calls for conservation, on the one hand, and technology, on the other. Japan has shown the way to both conservation and the technology for conservation, as perhaps no other country in the world has. India has had no alternative but to conserve and innovate, although we still have a long, long way to go. China has taken significant initiatives. So has the Republic of Korea. Asian oil exporting countries have demonstrated a commendable awareness of the importance of sustainability. The time now is for us to pool together our experience forge them into a shared, common experience, and build on that experience in concert. Sustainability in Asia calls for sustained dialogue among Asians. We stand ready and willing to place our Petroleum Conservation Research Association, the Indian Institute of Petroleum, the University of Petroleum Studies, The Energy and Research Institute of India (TERI), our Center for High Technology, our Oil Industry Safety Directorate, Indian Oil's R&D Centre, and all our other scientific and technological research and development institutions at the service of all Asia. It is said that one in every three Information Technologists in the world is an Indian. Our achievement in petroleum technology is perhaps less spectacular. But we would be more than happy to share what we know with our fellow-Asians and even more to learn from others, above all to learn from our fellow-Asians.

As we embark on this historic initiative which will, I hope, bring us together frequently,even up to once or preferably twice a year, perhaps

alternately in a net oil exporting and a net oil importing country of Asia, and perhaps progressively expanding our ambit while keeping our core intact,I welcome all of you once again to our national capital and wish you all a pleasant and fruitful stay in our midst.

Your Excellences, I thank you, one and all.

Chairman's Statement on the conclusion of the first Round Table of Asian Ministers on Regional Cooperation in the Oil and Gas economy, New Delhi on 6th January, 2006.

A. GENERAL

1. The Asian oil economy is integral to, and in separable from, the global oil economy.

2. With Asian destinations emerging as the principal consumer for Asian production, and the share of Asia in global production and consumption likely to progressively increase, cooperation between Asian producers and Asian consumers is crucial to ensuring Stability, Security and Sustainability through mutual interdependence in the Asian oil and gas economy.

3. The fundamentals of such cooperation must include moderation, dialogue, mutual understanding and respect, security of international supplies, demand supply equilibrium, and strategic partnerships based on a reciprocity of interest.

4. To this end, an Asian dialogue is both welcome and indispensable aimed at evolving and elaborating an Asian concensus.

5. It is, therefore, agreed that the instrumentality of Round Tables of Asian Ministers on Regional co-operation in the Oil and Gas Economy, initiated here in New Delhi, must be maintained. The following countries have kindly agreed to host/co-host subsequent Round Tables:

Second Round Table	:	Saudi Arabia, Co-host: Japan
Third Round Table	:	Japan, Co-Host: Qatar
Fourth Round Table	:	Kuwait, Co-host: Republic of Korea

The Round Tables may follow the pattern of alternating between net importing and net exporting countries.

6. For the preparation of Ministerial round Tables, the Secretariat of the International Energy Forum might convene experts, operators and officials to prepare position papers and agenda documents.

7. To reinforce Ministerial-level discussions at the Round Tables, a parallel effort may be initiated to bring together Asian business operators belonging to the countries represented at the Round Table.

B. STABILITY AND SECURITY

1. There is scope for improving Asian markets for petroleum and petroleum products. The issue requires careful study and detailed consideration, primarily among experts and operators with a view to indentifying broad policy parameters that might require further consideration.

2. Prices should be sustained at levels which encourage Asian consumers to increase their purchases of Asian product; at the same time, prices should be such as to encourage Asian producers to promote investment in oil and gas for Asian consumer destinations as an economic priority.

3. Crisscross investments all along the entire oil and gas products chain through *reciprocal* investment interlocking of *producers* and consumers will guarantee security of both supply and demand, thus contributing to stability of prices and thereby security of both supply and demand. Thus stability of prices would encourage domestic and cross-country investment in all streams of the petroleum sector and other energy-related projects.

4. Caution must be exercise in promoting balanced investment so that overinvestment does not lead to excess capacity nor under-investment to shortage of supplies.

5. Strategic storage and stockpiling contribute to security, and in this regard the valuable experience of Japan might hold significant lessons for other major consumers. However, there must be no abuse for illegitimate commercial purposes of such strategic storage and stockpiles.

6. The exchange of information and knowledge is the key to increasing confidence on the part of both buyers and sellers.

7. The Sustainable and Flexible Energy System ("SAFE") proposed by Japan constitutes a useful framework for further consideration of issues of energy security.

8. The Iranian proposal for an Asian Bank for Energy Development merits deeper consideration.

C. SUSTAINABILITY

1.Endorsing the importance of energy conservation for the protection of the environment and issues of climate change, the need for technological cooperation in the pursuit of cleaner and more environmentally-sound fossil fuel technologies was emphasized.

2. To this end, cooperation among Asian research and development centers and the promotion of conservation awareness among the general public were recongnized a key instrumentalities.

Retails outlets in foreign countries

†2270. PROF. R.B.S. VARMA: Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether it is a fact that Government have set up its retail outlets in foreign countries;

(b) if so, the details thereof; and

(c) the target fixed with regard to setting up of retail outlets in foreign countries?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MANI SHANKAR AIYAR): (a) and (b) Indian Oil Corporation Limited (IOC) have set up retail outlets through subsidiary companies in Sri Lanka and Mauritius. In Sri Lanka, under the provisions of a Tripartite Agreement executed by Lanka OIC Private Limited (LIOC), Government of Sri Lanka (GoSL) and Ceylon Petroleum Corporation Limited (CPC), CPC handed over 100 retail outlets owned by them to LIOC in February 2003. LIOC commenced commercial operations form these retail outlets from February 2003. Subsequantly, LIOC started negotiating with franchise dealers and so far 70 franchisees have joined LIOC's fold, bringing the total tally to 170 retail outlets in the Island. In Mauritius, 2 retail outlets have been set up by IOC's subsidiary company.

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†Original notice of the question was received in Hindi.